

committee amendments. And my list now has, I believe, we'll go back to their order. Senator Higgins I believe was next up. Senator Higgins, please.

SENATOR HIGGINS: Thank you, Mr. President. I would like to ask Senator Vard Johnson if he could clarify a couple of things for me. I'm reading from the committee statement which I presume is correct, Senator.

SENATOR CARSTEN: Senator Johnson, will you respond please.

SENATOR V. JOHNSON: Yes.

SENATOR HIGGINS: Under the explanation of amendments the committee amendments change the base income tax rate to 20 percent of federal tax liability. In addition, the tax rate could be adjusted only to the nearest whole percentage, and only when the federal changes affected at least 2 percent of the current fiscal year's General Fund appropriation. If the federal government were to lower the taxes a half a percent, then for us to offset that we would be having to increase it to the next rounded number. We would raise the state income tax 1 percent, Senator Johnson?

SENATOR V. JOHNSON: It's a good question, Senator Higgins, I'm glad you're asking it. Let's see if I can give you the right answer, I hope so. If the...in the first place the federal government really doesn't lower rates a half a percent. What it would do is it would have to lower a whole bunch of brackets.

SENATOR HIGGINS: I see.

SENATOR V. JOHNSON: Have to lower each bracket a half an...the rate in each bracket a half a percent. Now if, in that lowering of those brackets, if it turned out, Senator Higgins, that that change would result in a shortfall to this state of \$17 million or more, then our tax commissioner would have the authority to increase the state's income tax rate by 1 percent. Okay?

SENATOR HIGGINS: Okay, I...

SENATOR V. JOHNSON: And that would generate about \$22 million.

SENATOR HIGGINS: Okay, I have just one other question. Thank you for that one.